

MONTHLY REVENUE REPORT

September 2005

The revenue collected from Michigan's major General Fund and School Aid Fund taxes during September totaled \$2.06 billion, which was up 7.6% from last year's level. A good share of this growth was due to one-time increases in the estate and use tax collections, which totaled about \$89.0 million. After averaging \$2.6 million per month during the first 10 months of FY 2004-05, estate tax revenue jumped to \$77.1 million in September due apparently to one very large estate tax payment, and an audit judgment increased use tax collections about \$15.0 million in September. Excluding these one-time revenue gains, September tax collections were up 2.9% from last year's level. In addition to the estate and use taxes, other taxes that topped their year-ago level included the income, sales, tobacco, insurance, real estate transfer, and oil and gas severance taxes. After adjusting for the one-time boost in estate and use tax collections, September tax collections came in very close to the level that had been estimated for the month.

On a fiscal year-to-date basis, tax collections from the major taxes are up 6.1%. Even though Michigan's fiscal year ended on September 30, tax collections for the fiscal year are by no means completed. Michigan State government uses Generally Accepted Accounting Principles (GAAP), and therefore, taxes collected in October and November that became a liability on or before September 30 will be accrued back to FY 2004-05.

Net income tax collections (gross collections less refunds) totaled \$626.6 million, which was up 8.0% from last year's level. Gross collections were up 4.3%, as withholding payments were up 2.5%, quarterly estimated payments were up 9.9%, and annual payments were up 12.9%. The amount of income tax refunds paid to taxpayers dropped in September to \$20.1 million from \$40.3 million last year. Much of this decrease in refunds was due to the fact that the Treasury Department processed income tax returns much more rapidly this year compared with last year, and therefore had fewer refunds to issue in September compared with last year. So far in FY 2004-05, gross income tax collections are up 3.2%, refunds are up 4.2%, and net collections up 2.4%.

Sales tax collections totaled \$571.0 million in September, which was up 3.2% from the year-ago level. Sales tax collections from motor vehicle transactions fell 23.9% from a year ago. This decline was due to several factors including 1) the ending of some of the special discounts being offered by automakers on the prices of a variety of models, 2) a lean supply of some 2005 models following two months of steep price discounts, and 3) that the high price of gasoline hurt the sales of SUVs and trucks. Sales tax collections from all other taxable retail sales were up a strong 7.9% in September, due in part to high gasoline prices, which were up almost one dollar per gallon, or 50.0%, from the year-ago level. On a fiscal year-to-date basis, collections from motor vehicle sales are down 10.6%, all other sales tax collections are up 5.7%, and total sales tax collections are up 3.4%.

Single business tax collections totaled \$83.6 million in September, which fell short of last year's level by 21.9%. Collections from both annual and quarterly payments were below their year-ago levels, and refunds were larger than last year's level. Despite this decline in September, single business tax collections so far in FY 2004-05 are still up 7.3%.

State education property tax collections totaled \$396.5 million in September, which was essentially even with last year's level. While fiscal year-to-date collections are up 18.2%, final FY 2004-05 collections are expected to be up only about 1.6%. However, under the new payment schedule that was adopted in 2003, about 67.0% of State education property tax revenue is collected in September, October, and November. Therefore, it is difficult to estimate how collections from this tax are actually coming in compared with the consensus estimate until after the fiscal year has ended.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for September 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the August 2005 Consensus Revenue Estimating Conference.



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**MICHIGAN REVENUE UPDATE
SEPTEMBER 2005
(dollars in millions)**

Type of Revenue	September Collections		FY 2004-05 to Date ²⁾		FY 2004-05 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2003-04
Gross Income Tax	\$ 646.9	4.3%	\$ 7,104.6	3.2%	\$ 7,676.3	2.8%
Refunds	(20.3)	(49.4)	(1,611.7)	6.2	(1,660.7)	4.2
Net Income Tax	\$ 626.6	8.0%	\$ 5,492.9	2.4%	\$ 6,015.6	2.4%
Sales Tax	571.0	3.2	6,096.1	3.4	6,624.5	2.3
Motor Vehicles	62.3	(23.9)	742.2	(10.6)	---	---
All Other Sales Tax	508.7	7.9	5,353.9	5.7	---	---
Use Tax	137.2	21.0	1,298.8	7.8	1,385.6	5.2
Tobacco Taxes	112.4	8.4	1,082.1	26.7	1,164.2	17.3
Single Business Tax	83.6	(21.9)	1,712.3	7.3	1,885.7	3.2
Insurance Tax	1.7	240.0	214.9	5.3	236.3	2.6
State Education Property Tax	396.5	(0.1)	1,006.7	18.2	1,854.0	1.6
Real Estate Transfer Tax	33.7	6.0	289.8	(0.6)	316.0	(0.5)
Estate/Inheritance Tax	77.1	2,041.7	103.2	38.0	30.0	(60.3)
Casino Wagering Tax	10.6	(29.3)	132.4	38.2	147.0	47.7
Oil & Gas Severance Tax	5.6	3.7	59.2	29.3	65.0	13.8
Total	\$2,056.0	7.6%	\$17,488.4	6.1%	\$19,723.9	3.3%
Addendum:						
Gross Lottery Sales ⁴⁾	\$163.0	(2.4)%	\$2,045.4	3.5%	\$2,059.8	4.4%
Net to School Aid Fund ⁴⁾	\$ 55.9	0.7%	\$ 652.3	0.9%	\$ 641.0	(0.6)%

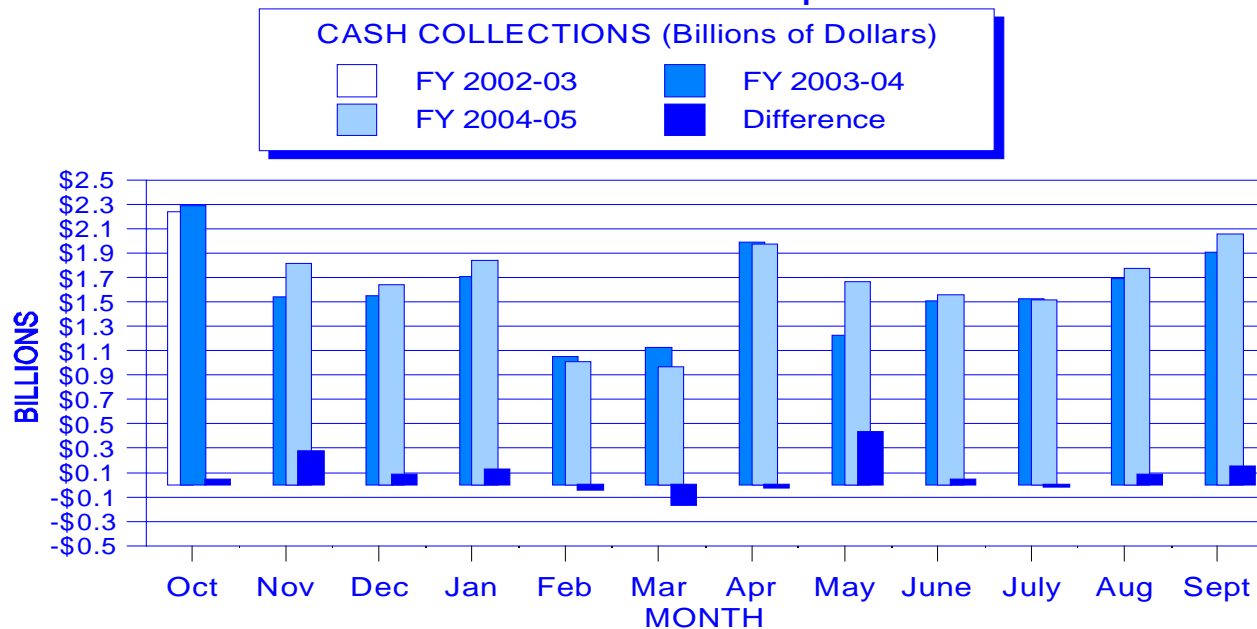
1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the August 17, 2005, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include Oct. 2004 to Sept. 2005. September data through 9-26-05.

Actual Revenue Collections for Major State Taxes*
October 2003 to September 2005



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.